

REPORT ON SPECIAL INQUIRY  
OF THE  
TRAER AMBULANCE SERVICE

FOR THE PERIOD  
JANUARY 1, 2003 THROUGH JANUARY 31, 2005

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## Independent Auditors' Report on Applying Agreed-upon Procedures

To the Traer Ambulance Service  
and Members of the City Council:

As a result of alleged improprieties regarding certain disbursements, we conducted a special inquiry of the Traer Ambulance Service. We have applied certain tests and procedures as defined by the City of Traer and the Traer Ambulance Service to selected financial transactions of the Traer Ambulance Service for the period January 1, 2003 through January 31, 2005. Based on discussions with City officials and officers of the Traer Ambulance Service and a review of relevant information, we performed the following procedures:

- (1) Evaluated selected internal controls as defined by the City of Traer and the Traer Ambulance Service to determine whether adequate policies and procedures were in place and operating effectively.
- (2) Examined all available documentation and recorded minutes of monthly meetings for selected disbursements to determine if they were properly supported and approved.
- (3) Reviewed selected officer compensation, emergency call and meeting compensation, and certain reimbursements to determine if they were authorized.
- (4) Examined all available records and bank documents provided by the Traer Ambulance Service to determine if recorded collections were deposited. Some original bank statements were not available. If the unavailable documentation had been made available, additional items may have been discovered that might influence the findings presented in this report.
- (5) Examined Traer Ambulance Service's bank statements to identify any unusual activity. Some original bank statements were not available. If the unavailable documentation had been made available, additional items may have been discovered that would influence the findings presented in this report.

These procedures identified \$16,273.66 of questionable or unsupported disbursements. We were unable to determine if additional amounts may have been improperly disbursed during this time period because adequate records were not available for certain disbursements. In addition we were unable to determine if all collections were properly deposited because all receipt records were not available. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Inquiry Summary and Exhibits A through G of this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Traer Ambulance Service, other matters may have come to our attention that would have been reported to you. Additionally, the procedures described above were limited in scope and all records were not available. Therefore, this report cannot be relied upon to uncover all instances in which fraud, embezzlement, or abuse may have occurred.

Copies of this report have been filed with the Tama County Sheriff's Office and the Office of Auditor of State.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the City of Traer and the Traer Ambulance Service during the course of our inquiry.

Lines Murphy & Company, P. L. C.  
June 10, 2005

## Traer Ambulance Service

### Inquiry Summary

#### Background Information

The Traer Ambulance Service is a Not for Profit entity which serves the City of Traer and surrounding areas and communities. Personnel elected by members of the Traer Ambulance Service serve as the "governing body". Although payments made by the City of Traer on behalf of the Traer Ambulance Service and payments made directly to the Traer Ambulance Service by the City of Traer are subjected to auditing procedures, the funds of the Traer Ambulance Service are not audited with the City of Traer's funds. However, the City is considering bringing the Traer Ambulance Service funds into the city for auditing purposes.

In January of 2003 the Traer Ambulance Service elected Ryan Neidick to serve as Secretary/Treasurer. He was responsible for recording the minutes of the monthly meetings of the Traer Ambulance Service, depositing funds collected from citizens and companies during fundraisers, depositing funds received from the City of Traer, and making disbursements for items not paid for by the City of Traer. He was also responsible for submitting invoices and records to the City Clerk for payment or reimbursement. Further, he prepared emergency call and meeting reports for reimbursement from the City. The city would issue one check to the Traer Ambulance Service, Ryan Neidick would individually distribute checks to crewmembers.

In January of 2005 the Traer Ambulance Service elected Rachelle Cochran to replace Ryan Neidick as Secretary/Treasurer. She immediately requested bank statements and records from Ryan Neidick, none of which he could produce. Upon search, some invoices and emergency call and meeting compensation reports were discovered, but bank statements could not be found. After preparing emergency call and meeting compensation reports to turn into the City Clerk for January through March of 2005 and comparing them to the former Secretary/Treasurer's reports it was discovered that many had been calculated in error and ambulance members were not properly compensated. It was also discovered that Ryan Neidick might have been over compensating himself. During this time the Traer Ambulance Service formed a three-member audit committee to try to match the checks written to invoices and other records. They requested copies of bank statements on microfiche from Farmers Savings Bank and Trust where the main account of the Traer Ambulance Service was kept. After review of copies of the bank statements and checks several more questionable items were identified. The committee immediately contacted the Traer City Clerk.

As more information became available, the City Clerk and the three-member audit committee of the Traer Ambulance Service contacted Lines Murphy & Company, P. L. C. to conduct an inquiry. As a result of that request, we contacted the Office of Auditor of the State and performed the procedures detailed in the Lines Murphy & Company, P. L. C. Report for the period January 1, 2003 through January 31, 2005. Also contacted were the Tama County Sheriff's Office and the Tama County Attorney's Office.

## Detailed Findings

The procedures we performed identified \$16,273.66 of questionable or unsupported disbursements from January 1, 2003 through January 31, 2005. We were unable to determine whether additional amounts may have been improperly disbursed during this time period because adequate records were not available for certain disbursements. In addition, we were unable to determine if all collections were properly deposited because all receipts were not available. All findings are summarized in Exhibit A and a detailed explanation of each finding is below.

### QUESTIONABLE DISBURSEMENTS

Unauthorized Payments to OCWEN Federal Bank, FSB – As stated previously, the three-member audit committee began trying to match the checks written to invoices or other records. The committee discovered three checks written to OCWEN Federal Bank, FSB, which is a mortgage finance company located in West Palm Beach, Florida. After discussion with City officials and Ambulance personnel it was determined that neither the City of Traer, nor the Traer Ambulance Service does any business with this company. As shown by Exhibit B, three payments were made to OCWEN Federal Bank, FSB between January 1, 2003 and January 31, 2005. The total of \$3,967.10 is included on Exhibit A.

Payments for Repairs to Ryan Neidick – In October of 2003 the Traer Ambulance Service accepted a bid from Ryan Neidick to install a new furnace for the Traer Ambulance Service. The bid was for \$1,251.99. An invoice was forwarded to the Traer City Clerk for payment and subsequently paid directly to Ryan Neidick. In addition, Ryan Neidick reimbursed himself from Ambulance funds an additional \$3,396.50 as shown by Exhibit C. He also reimbursed himself \$990.79 for furnace repairs and a hanging furnace. There are no supporting documents or authorization for any of the reimbursements other than the original bid as paid by the City Clerk. The total of \$3,396.50 is included on Exhibit A. The amount of \$990.79 is not included on Exhibit A because according to officers of the Traer Ambulance Service there was a separate hanging furnace installed.

Payments for Officer Compensation to Ryan Neidick – Discussion with the Ambulance Audit Committee and certain officers revealed that officers of the Traer Ambulance Service are paid \$500 annually. As shown by Exhibit D, Ryan Neidick paid himself \$2,100.00 over two years. The overpayment of \$1,100.00 is included on Exhibit A.

Payments for School and Travel to Ryan Neidick – After reviewing all available bank records it was discovered that several payments were made to Ryan Neidick for school and travel reimbursements. The payments were discussed with City officials and officers of the Traer Ambulance Service. Policy and records show that the City Clerk and the Traer Ambulance Service make payments directly to the schools, and travel and lodging expenses are reimbursed. There are no supporting documents for the payments made to Ryan Neidick, shown on Exhibit E. City officials and officers of the Traer Ambulance Service indicated the total, \$3,935.70, included on Exhibit A, appears excessive.

Payments for Emergency Calls and Meeting Compensation to Ryan Neidick – As previously mentioned, when all available records were discovered, and the bank statements on microfiche were copied, it was discovered that members of the Traer Ambulance Service were not properly compensated. As shown by Exhibit F, it was also discovered that Ryan Neidick compensated himself on several occasions for more than was documented on the emergency call and meeting reports submitted to the City. The total amount of \$1,743.55 is included on Exhibit A.

(Detailed Findings Continued)

Other Unsupported Payments to Ryan Neidick – After review of all available bank records and conversation with City officials and officers from the Traer Ambulance Service, other questionable payments were discovered, as shown by Exhibit G. The total of \$2,130.81 is included on Exhibit A.

#### UNSUPPORTED DISBURSEMENTS

We reviewed each disbursement made to the Traer Ambulance Service's vendors, from all available records, to determine if they were for appropriate purchases. We also made inquiries to officers of the Traer Ambulance Service to assist in that determination. Supporting documentation could not be located for many of the disbursements. Of the disbursements made to Ryan Neidick, the original bid for the furnace installation, the purchase of the file cabinet, and the records for emergency calls and meeting compensation were the only documentation found. In addition, the only instances in which disbursements are listed in the minutes are disbursements associated with the fundraisers.

While reviewing disbursements, we also discovered payments for the period January 1, 2003 through January 31, 2005 to U. S. Cellular totaling \$5,622.09. The payments were for cell phones in possession of the officers of the Traer Ambulance Service. Supporting documentation for these payments could not be located. The City of Traer and the Audit Committee were made aware of the problem and have taken steps to correct it. The total of \$5,622.09 is not included on Exhibit A.

#### UNDEPOSITED RECEIPTS

As previously mentioned, the Traer Ambulance service is a Not for Profit entity which receives donations from citizens and businesses in the community and surrounding areas. No records of these receipts were available to compare to available bank records other than typed meeting minutes prepared solely by Ryan Neidick. Traer Ambulance Service also directly receives compensation from the City of Traer for officer pay and emergency calls and meetings. We used the City's records to try to determine if deposits were made. We could not determine if deposits were made because many deposits were added together with no detail or record. Because receipt and deposit records were not complete, we were not able to determine whether amounts may have been misappropriated from donations or City payments to the Traer Ambulance Service.

The above findings were based upon the procedures agreed upon in our discussion with the City of Traer and the Traer Ambulance Service. We offer no assurance that additional procedures or a complete financial audit would not have disclosed additional questionable or unsupported items.

## Recommended Control Procedures

As part of our inquiry, we reviewed the procedures used by the Traer Ambulance Service to process collections, disbursements, and voluntary services compensation. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures help ensure the actions of one individual will act as a check on those of another and also provide a level of assurance that errors and irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the Traer Ambulance Service's internal controls.

- A. Segregation of Duties – An important aspect of internal control is the segregation of duties among employees or members to prevent an individual employee or member from handling duties which are incompatible. The former Secretary/Treasurer had control over each of the following areas for the Traer Ambulance Service with no assigned individual or committee for oversight.

(1) Receipts – collecting, depositing, and posting to the Traer Ambulance Service's records.

(2) Disbursements – claim preparation, initial approval, signing and mailing checks.

Recommendation – We realize segregation of duties is difficult with a limited number of employees or members. However, the duties within each function listed above should be segregated between appropriate members of the Traer Ambulance Service and employees of the City. In addition, members of the Traer Ambulance Service Audit Committee should review supporting documentation for deposits and disbursements on a periodic basis.

- B. Receipts – The Traer Ambulance Service collects money from citizens and businesses in and around the community. In addition, money is collected from the City of Traer for voluntary compensation and officer pay. However, receipts are not issued for all collections and reports are not prepared to reconcile these receipts to the money deposited.

Recommendation – Receipts should be recorded and reports should be prepared documenting a reconciliation between amounts collected and deposited. Collections should be deposited and intact in a timely manner. Any undeposited collections should be safeguarded in a locked file or safe. In addition, all receipts should be issued in numerical sequence.

- C. Minutes – We noted that a Treasurer's Report was not always included in the monthly meeting minutes. When the report was included, its accuracy could not be verified. Further, the minutes do not include a list of receipts or disbursements.

Recommendation – A Treasurer's Report should be made monthly and documented in the minutes. The report should begin with the prior month's balance. Receipts should be added and disbursements subtracted to arrive at an ending balance. The balance should carry forward to the following month. Each balance should agree to the bank statement or a reconciliation should be prepared. Further, a list of receipts and written checks for the month should be prepared and approved.



### Recommended Control Procedures (Continued)

D. Disbursements – During our review of the Traer Ambulance Service's disbursements, we identified the following conditions:

- (1) In many instances, reimbursements were made to the former Treasurer without supporting documentation.
- (2) In many instances, supporting documentation could not be located for payments made to vendors.
- (3) In some instances checks were not written in sequence.

Recommendation – All claims prepared should be reviewed by an independent person other than the preparer before being paid. Claims should contain detail sufficient to ensure the payment complies with City and Ambulance policies to ensure the costs incurred are valid. In addition, dual signatures on all checks or ones over a predetermined amount could be required. If dual signatures are not required, authorized check signers should be prohibited from signing checks in which the signer is also the payee. All checks should be written in numerical sequence.

Special Inquiry of the  
Traer Ambulance ServiceSummary of Findings  
For the period January 1, 2003 through January 31, 2005

Description	Exhibit	Amount
Questionable and Unsupported Disbursements:		
Unauthorized Payments to OCWEN Federal Bank, FSB	B	\$ 3,967.10
Payments for Repairs to Ryan Neidick	C	3,396.50
Payments for Officer Compensation to Ryan Neidick	D	1,100.00
Payments for School and Travel to Ryan Neidick	E	3,935.70
Payments for Emergency Calls and Meeting Compensation to Ryan Neidick	F	1,743.55
Other Unsupported Payments to Ryan Neidick	G	<u>2,130.81</u>
Total		<u>\$16,273.66</u>

Exhibit B

Special Inquiry of the  
Traer Ambulance Service

Unauthorized Payments to OCWEN Federal Bank, FSB  
For the period January 1, 2003 through January 31, 2005

<u>Date of Check</u>	<u>Check Number</u>	<u>Amount</u>
06/30/03	2963	\$1,965.82
12/22/03	3054	550.00
04/26/04	3116	<u>1,451.28</u>
Total		<u>\$3,967.10</u>

Special Inquiry of the  
Traer Ambulance Service

Payments for Repairs to Ryan Neidick  
For the period January 1, 2003 through January 31, 2005

<u>Date of Check</u>	<u>Check Number</u>	<u>Amount</u>
02/19/03	2895	\$ 200.00
10/22/03	3022	1,500.00
10/23/03	3015	1,100.00
06/08/04	16279*	1,251.99
01/25/05	3563	<u>596.50</u>
Subtotal		\$4,648.49
Less amount of original bid paid by the City		<u>1,251.99</u>
Total		<u>\$3,396.50</u>
Amounts with no supporting documents for separate furnace		
04/14/04	3091	\$ 365.29
11/09/04	3554	<u>625.50</u>
Total		<u>\$ 990.79</u>

\* This check was paid directly by the city.

Special Inquiry of the  
Traer Ambulance Service

Payments for Officer Compensation to Ryan Neidick  
For the period January 1, 2003 through January 31, 2005

<u>Date of Check</u>	<u>Check Number</u>	<u>Amount</u>
12/17/03	3053	\$ 500.00
06/05/04	3453	550.00
10/25/04	3551	550.00
12/15/04	3562	<u>500.00</u>
Subtotal		\$2,100.00
Less amount which was due for two years*		<u>1,000.00</u>
Total		<u>\$1,100.00</u>

\* Officer pay is \$500.00 per year.

Exhibit ESpecial Inquiry of the  
Traer Ambulance ServicePayments for School and Travel for Ryan Neidick  
For the period January 1, 2003 through January 31, 2005

<u>Date of Check</u>	<u>Check Number</u>	<u>Amount</u>
02/10/04	3123	\$ 400.00
04/29/04	3112	386.45
06/01/04	3451	486.50
07/01/04	3494	476.85
07/10/04	3511	1,800.00
10/01/04	3519	105.50
11/18/04	3557	145.00
12/20/04	3575	<u>135.40</u>
Total		<u>\$3,935.70</u>

Amounts Reimbursed to other Members with Supporting Documentation  
(For reasonableness comparison only)

02/25/03	2899	\$ 165.76
04/22/04	3106	192.64
04/22/04	3135	<u>192.64</u>
Total		<u>\$ 551.04</u>

Special Inquiry of the  
Traer Ambulance Service

Payments for Emergency Calls and Meeting Compensation to Ryan Neidick  
For the period January 1, 2003 through January 31, 2005

<u>Period</u>	<u>Amount Reported to City</u>	<u>Check Number</u>	<u>Amount Paid</u>
January – March 2003	\$ 127.50	2944	\$ 127.50
April – June 2003	49.50	2982	49.50
July – September 2003	173.00	3024	173.00
October – December 2003	95.00	3082	95.00
January – March 2004	121.00	3133	242.00
April – June 2004	30.00	3464	676.05
July – September 2004	225.50	3542	225.50
October – December 2004	<u>235.00</u>	3576	235.00
Subtotal	\$1,056.50		
Plus other amounts paid for calls and meetings:			
<u>Date of Check</u>		<u>Check Number</u>	
01/05/04		3055	225.00
04/21/04		3100	82.00
10/01/04		3517	496.50
01/31/05		3565	<u>173.00</u>
Subtotal			\$ 2,800.05
Less amount reported to the City on emergency call and meeting compensation reports for reimbursement			<u>1,056.50</u>
Total			<u>\$ 1,743.55</u>

Special Inquiry of the  
Traer Ambulance ServiceOther Unsupported Payments to Ryan Neidick  
For the period January 1, 2003 through January 31, 2005

<u>Date of Check</u>	<u>Stated purpose</u>	<u>Check Number</u>	<u>Amount</u>
01/16/03	Unknown	2882	\$ 244.50
01/20/03	Treasurer Pay and Labor	2886	800.00
05/19/03	Labor and Plumbing	2954	578.25
01/23/04	Unknown	3082	95.00
02/01/04	File Cabinet Reimbursement	3121	228.00
07/04/04	Candy Reimbursement	3601	<u>275.00</u>
Subtotal			\$2,220.75
Less amount actually paid for file cabinet per located receipt			<u>89.94</u>
Total			<u>\$2,130.81</u>



## Exhibits

## Inquiry Summary